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I. PRINCIPLES OF BUDGET AND FINANCE MANAGEMENT IN AN INTELLIGENCE ORGANIZATION

A. Financial Management in an Intelligence Organization is similar in many respects to that in any other organization, but it differs radically in other respects. For example:

- (1) Must use devious and unorthodox methods, yet maintain semblance of legality and stay within spirit of the law.
- (2) Must protect identity of payees - yet it is essential that expenditure and accounting data be factually true.
- (3) Operating staff must be given wide discretion in financial matters to enable them to meet contingencies promptly and decisively - yet there must be a close financial audit to insure financial integrity and objectivity in the use of funds.
- (4) Financial budgeting and planning must be completed far in advance of actual operations, yet no other type of organization is so susceptible to immediate changes, emergencies, and contingencies, with such drastic financial impact.

B. These seemingly paradoxical situations demand that balanced recognition be given to a flexible basis of budget and financial management in the light of varying types of operations and security conditions.

C. There are three phases of financial management which for purposes of classification we will call (1) The Budget Process, (2) The Accounting and Disbursing Process, and (3) The Audit Process. Each of these will now be separately discussed.

II. THE BUDGET PROCESS

A. Budget should be considered as a part of the master strategic plan of the organization. A Logistics Plan of Action which has a twofold purpose: (1) Financial plan for a year, (2) Standard by which to measure accomplishment.

B. Its purpose is to:

- (1) Plan in advance for all possible factors and contingencies.
- (2) Ensure considered planning before acting and acquire knowledge of operational objectives.
- (3) Coordinate the various parts and activities of the organization.
- (4) Ensure most effective use of resources with minimum cost.

C. Top Executive Review of Budget is Essential to Ensure:

- (1) Conformance with broad and basic plans.

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- (2) Temper over-enthusiasm and set objectives within measurable accomplishment.
- (3) Restrain unwise expansion.
- (4) Add stimulus and push to lagging programs.

D. Budget Process may be divided into two parts, (1) Budget Preparation and (2) Budget Execution:

- (1) Budget Preparation (Brief step-by-step outline of the Budget Preparation Process)
- (2) Budget Execution

Budget must be a living and flexible document, not an administrative straight jacket. Must be executed in manner to ensure full utilization of assets.

- a. Allotment of funds by month or quarter (Fixed vs. flexible allotments)
- b. Relating future allotments to performance.
- c. Using current accounting data to determine effectiveness of Budget execution.

III. ACCOUNTING AND DISBURSING PROCESS

A. System of accounts should conform to the pattern of Budget allotments, so that accounts may be used as a tool to make the master financial plan, the budget, work.

B. Headquarters accounts must be comprehensive enough to reflect the financial status and condition of the organization and permit the preparation of current statements, yet flexible enough to absorb accountings from your farthest outpost.

C. Accounting Process similar in many respects to the Intelligence Process:

- (1) Systematic accumulation and recording of facts.
- (2) Evaluation and dissemination of the facts to appropriate officials.
- (3) All financial accounts must be based on facts vs. guesses, rumors, etc.
- (4) The end product is only as good as it is true--if misleading, it can be dangerous.

D. Traditional accounting concepts vs. Intelligence accounting concepts:

- (1) Checks and balances system.
- (2) Traditional obligating documents, purchase orders, contracts, etc.
- (3) May have to tolerate bad forms, but we cannot tolerate bad facts.

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